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SCA/CEN FOR M.O'MARA, ISN/WMDT FOR M. DIETER AND E. HARBAUGH

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SUBJECT: SCENESETTER FOR ASSISTANT SECRETARY ROOD'S TRIP TO KAZAKHSTAN

(SBU) Summary: Kazakhstan is proud to be hosting the third meeting of the Global Initiative to Combat Nuclear Terrorism, which will attract significant attention within the country. The Kazakhstanis will be eager to trumpet their non-proliferation accomplishments. Since renouncing its nuclear arsenal soon after independence, Kazakhstan has proven to be a reliable security partner and a steady, positive influence in a turbulent region. The Kazakhstanis also see the event as an opportunity to highlight their country's achievements - a thriving economy, a rapidly expanding capital, a harmonious multiethnic society - and to demonstrate that they are capable of leadership, a key goal as they continue with their bid to chair the OSCE in 2009. The U.S. enjoys a positive security relationship with Kazakhstan, although not without the occasional obstacle. Several important programs are slowed or delayed by Kazakhstan's labyrinthine bureaucratic procedures. Your visit presents an excellent opportunity to reemphasize to the Kazakhstanis the need to push forward on projects such as the BN-350 spent fuel program and the HEU fresh fuel downblending project. End summary

#### Political Context

12. (SBU) Your visit comes soon after the introduction of constitutional amendments which on balance represent a positive step toward democratic reform. The long-awaited changes increase the size and power of parliament, strengthen the role of local legislatures, eliminate the death penalty except in cases of terrorism and war crimes, provide for judicial sanction of arrest, and pave the way for government financing of public organizations and political parties. The president retains significant powers, however. In a surprise move which has stolen headlines and provoked an outcry from the opposition, a group of parliamentarians added a provision exempting President Nazarbayev from existing term limits.

13. (SBU) Kazakhstan is certain to point to the constitutional amendments as evidence of reform as they continue to push forward with their candidacy to chair the Organization for Security and Cooperation in Europe (OSCE) in 2009. The U.S. has made clear that we welcome Kazakhstan's aspirations, but that any chair must exemplify the principles of the organization. While the constitutional amendments have the potential to lead to greater democratization, Kazakhstan will need to take further steps to bolster its still underdeveloped democratic political institutions, civil society, and independent media.

#### The Central Asian Tiger

14. (SBU) Kazakhstan is the region's economic powerhouse, with an economy larger than those of all the other Central

Asian states combined (2006 GDP: \$68 billion). The economy has averaged 9.2% real growth over the past three years, and the percentage of Kazakhstan's population living below the level of subsistence has dropped from 28.4% in 2001 to 9.8% in 2005. The energy sector is Kazakhstan's dominant earner, with oil exports accounting for roughly a third of GDP. Kazakhstan produced 1.3 million barrels of oil per day in 2006 and is expected to become a top ten oil producer soon after 2015. Kazakhstan also possesses substantial proven gas reserves (3 billion cubic meters), although it currently exports very little gas.

15. (SBU) The U.S. is encouraging the GOK to diversify its oil and gas export routes. Currently, the bulk of Kazakhstan's crude is exported via Russia, both through the Transneft system and the independent Caspian Pipeline Consortium (CPC). The majority of Kazakhstan's near term oil production increases are projected to flow to market either through the Baku-Tbilisi-Ceyhan pipeline or an expanded CPC. All of Kazakhstan's gas exports currently flow through Russia. Two projects under GOK consideration, a trans-Caspian Pipeline and a gas pipeline to China, would reduce dependence on Russia.

#### A Positive Regional Influence

16. (SBU) Kazakhstan has cooperated extensively with the United States in the Global War on Terrorism. Kazakhstan has directly supported efforts in Iraq by deploying a military engineer unit which has disposed of over 4.5 million pieces of ordnance. Kazakhstan has provided over 4800 cost-free overflight and emergency landing rights for U.S. aircraft supporting Operation Enduring Freedom. The GOK has made strong statements in support of U.N. resolutions sanctioning

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Iran and North Korea.

17. (SBU) Kazakhstan has also expressed its eagerness to play an enhanced role in achieving regional integration. In April, President Nazarbayev spoke of a Central Asian union with a common market, an idea he has raised on several occasions. Kazakhstan is already a significant economic force in the region, the largest foreign investor in Kyrgyzstan and soon to be the largest investor in Georgia, according to the Georgian government. In an April 19 speech at the Eurasia Media Forum, President Nazarbayev announced that Kazakhstan is developing a "Special Action Program" to increase humanitarian and economic cooperation with Afghanistan and to invest in the Afghan economy. According to Nazarbayev, Kazakhstan plans to construct a school in the Samangan region and a hospital in the Bamian region.

#### A Strong Non-Proliferation Partner

18. (SBU) Non-proliferation has been a cornerstone of the bilateral relationship since Kazakhstan's independence. With the collapse of the Soviet Union, Kazakhstan was left with the world's fourth largest nuclear arsenal. Nazarbayev's 1991 decision to give up Kazakhstan's nuclear arsenal was groundbreaking. Kazakhstan returned all tactical nuclear warheads to Russia by January 1992, and all strategic nuclear warheads by April 1995. Through the Nunn-Lugar Cooperative Threat Reduction Program (CTR) program the U.S. assisted Kazakhstan with the destruction of bombers, silos, and related ICBM infrastructure.

19. (SBU) The U.S.- Kazakhstan non-proliferation relationship remains productive. Cooperation continues under the CTR program to secure the former Soviet nuclear weapons test site in Semipalatinsk. The U.S. is working with Kazakhstan under the Proliferation Prevention Initiative agreement to strengthen its ability to prevent proliferation of WMD and related materials across its borders by enhancing its WMD detection and interdiction capabilities along the Caspian Sea border. Through the Biological Threat Reduction Program, the

U.S. is supporting Kazakhstan in its efforts to combat bioterrorism and prevent the proliferation of biological weapons technology, pathogens and expertise. The DOE met several key milestones in 2006 as preparations are made to move three tons of weapons grade plutonium from the decommissioned BN-350 nuclear reactor in Aktau to long term storage at the Baikal 1 facility near the city of Kurchatov in western Kazakhstan.

But Not Always a Prompt One

¶10. (SBU) Although non-proliferation and security cooperation with Kazakhstan is generally good, maintaining progress often requires a firm push. Early in the year, the Department of Defense warned the GOK that it would suspend its CTR programming if Kazakhstan failed to implement an effective value added tax (VAT) exemption mechanism. With only a few days to spare before the DOD deadline, Kazakhstan approved pending subcontracts and avoided a shutdown. Kazakhstan must still demonstrate, however, that the mechanism created to approve the contracts is an efficient and effective long-term solution.

¶11. (SBU) The U.S. and Kazakhstan must also extend the CTR Umbrella Agreement in 2007. Renewal this year may prove trickier than 2000, the last time the agreement was extended.

Some in the GOK have suggested that the language of the agreement needs to be broadened to reflect all U.S. efforts and aims (for example, to emphasize a focus on proliferation of all weapons of mass destruction, rather than just offensive strategic arms). Proposing changes to the text will require delicate maneuvering, however, in order to avoid the lengthy delays that would arise from a full-scale reexamination of the text or by triggering Kazakhstani requirements for re-ratification.

¶12. (SBU) Other important U.S. programs face frequent delays more often due to the stuttering bureaucracy than to a lack of will. In January, senior-level policy talks were held in Astana on the permanent disposition of BN-350 spent fuel. An agreement in principle was reached on a communique on permanent disposition establishing the framework for further talks. The Kazakhstanis have yet to sign the communique, however, as it still has not received full interagency approval.

¶13. (SBU) During President Nazarbayev,s 2006 visit to the

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U.S., the U.S. and Kazakhstan reached agreement in principle to down blend approximately 21 kilograms of highly enriched uranium (HEU) stored at the Institute of Nuclear Physics (INP). Although the project has the president,s blessing, progress has been delayed because no specific authorization has been given to the Ministry of Energy and Mineral Resource or to INP to implement the program.

¶14. (SBU) In September 2006, the five nations of Central Asia signed the Central Asia Nuclear Weapon Free Zone Treaty (CANWFZ), despite reservations voiced by the U.S., France, and the U.K. The U.S. and other nuclear weapons states have stressed repeatedly that they cannot support the treaty unless their concerns were addressed in a satisfactory manner. One significant concern is that other international treaties can take precedence over the CANFWZ.  
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